CBIA CONNECTICUT BUSINESS & INDUSTRY ASSOCIATION

TESTIMONY OF
BONNIE STEWART, VICE PRESIDENT OF GOVERNMENT AFFIARS
CONNECTICUT BUSINESS & INDUSTRY ASSOCIATION
BEFORE THE
FINANCE, REVENUE AND BONDING COMMITTEE
LEGISLATIVE OFFICE BUILDING
MARCH 17, 2014

CBIA **opposes SB 448**, An Act Concerning Results-Based Accountability For Certain Tax Credits

Good morning, my name is Bonnie Stewart. I am vice president of government affairs for the Connecticut Business & Industry Association (CBIA). CBIA represents approximately 10,000 businesses throughout Connecticut and the vast majority of these are small companies employing fewer than 50 people.

CBIA appreciates the desire of the Finance Committee to determine whether Connecticut's tax credits are serving their purpose, but what is proposed in **SB 448, An Act Concerning Results-Based Accountability For Certain Tax Credits**, is not the way to accomplish that.

Tax credits are adopted in an attempt to encourage businesses to perform certain behaviors in Connecticut. Two examples are the state's Incremental Research and Development (R&D) tax credit, and the Fixed Capital Investments tax credit.

The Incremental R&D tax credit was adopted to encourage Connecticut companies to continuously increase their R&D activities and investments in the state. In order to claim the tax credit, a business must first spend more on R&D than it did in the previous year. Only after the credit has been earned by this increased activity and expenditure can it be claimed.

The Fixed Capital Investments tax credit was adopted to encourage Connecticut businesses to invest in their Connecticut facilities. In order to claim the tax credit, a business must first purchase tangible property that has a life of more than four years, and then hold or use the property in Connecticut for at least five years after its acquisition. As with all statutory tax credits, an employer may claim the credit only after it has performed the specified behavior.